

**Puget Sound Partnership
Funding Options and Strategies
Informational Briefing for the Ecosystem Coordination Board
May 28, 2008**

Summary

As part of developing a 2020 Action Agenda for the protection and recovery of Puget Sound, the Puget Sound Partnership (PSP) is required to complete a financing strategy for the Action Agenda. As specified under RCW 90.71.370 the financing strategy is to:

- Provide recommendations for projected funding needed through 2020 to implement the action agenda by action agenda element;
- Address funding responsibilities among local, state, and federal governments, as well as nongovernmental sources;
- Identify methods to secure stable and sufficient funding to meet these needs as well as proposals for new sources of funding to be dedicated to Puget Sound protection and recovery.

At its April 29 meeting the Leadership Council approved the following four broad components to a financing strategy.

1. Cost Analysis

The first task will be to estimate the cost of implementing the components of the Action Agenda. This work will focus initially on the priority actions identified by the Leadership Council at its June 12 and 13th meeting. This would include estimates of capital costs as well as the costs of implementing regulatory and incentive based actions, and education and outreach programs by state, local governments, nonprofits and the private sector. This will be done by collecting and reviewing existing costs data and developing additional estimates as needed. The cost estimates for scientific research/modeling and monitoring needs will be developed as part of a Monitoring and Adaptive Management plan developed by the Science Panel and will be included in the roll-up of total estimated costs.

2. Cost-Effectiveness Analysis

To help evaluate and prioritize strategies and specific actions, a cost-effectiveness analysis for comparing costs and benefits will be developed. Where appropriate data exist, this framework will calculate the net economic benefit of management alternatives. Where possible, it will quantify the cost and benefit components, and where data do not allow, it will facilitate characterization of these components. In this way it will also identify where additional economic research would be most useful. For each general category of actions, this framework will bring together relevant data and compare the relative cost-effectiveness of alternative investments outlined in the Action Agenda. Cost effectiveness weighs the costs of a proposed strategy or actions to its environmental benefits as well as its broader economic benefits to society, and

facilitates comparison across options, including risk and uncertainty considerations. Linkages will be made with benchmark and indicator work to ensure commonality in how benefits are being measured and expressed.

3. Analysis and Identification of Gaps in Existing Funding Sources

As costs estimates are developed for Action Agenda components, they will be compared to the existing public and private revenue streams available to implement these actions. This analysis would include a summary of current and projected spending for Action Agenda components, a comparison of current and projected funding sources with projected needs, and identification of funding gaps where new revenues would be required. This task would build upon existing work contained in the Puget Sound Salmon Recovery Plan and other state and federal sources. Recommendations would also be needed on assigning funding responsibilities among local, state, tribal and federal governments, as well as nongovernmental sources.

4. Proposals for New Funding Sources

Traditional revenue sources to implement the Action Agenda consist primarily of multiple state and local tax revenues as well as a limited amount of federal funding. However, these traditional funding sources are likely to be insufficient to fully implement the Action Agenda. The financing strategy will include an analysis of existing funding mechanisms as well as options for new funding sources (for example a “flush tax”). A summary and analysis of nontraditional market and incentive programs would also be completed. This would include an examination of programs used nationally and internationally, such as the use of Transfer of Development Rights (TDRs), Water Quality Permit Trading, Mitigation Banking, Carbon Credits etc. While these programs may raise revenue, they also have the capability to help achieve the results contained in the Action Agenda. Recommendations for the most promising new funding sources and programs will also be made.

Workplan

To complete the tasks outlined above the Partnership has retained ECONorthwest of Eugene, Oregon to complete Tasks 1 and 2, Evergreen Funding Consultants of Seattle to complete Task 3 and to summarize the overall findings, and Parametrix’s Bellevue office to complete Tasks 4.

To help develop the strategy, a financial strategy advisory group will be formed consisting of key financial experts from state, tribal and local governments, as well as environmental and business groups. The role of this group will be to review and provide input on products as they are developed and to help gather any necessary information.

The current draft schedule and topics to complete the finance strategy is shown below.

June 12/13 Leadership Council meeting - Discuss outline for the financing chapter; schedule for coordination with LC and ECB; themes and actions for the finance strategy, introduction to costs and spending methodology.

June 25 Ecosystem Coordination Board meeting – Discuss initial costs estimate methodology, themes and actions for the finance strategy, current funding opportunities and gaps.

July 23/24 Leadership Council meeting- Costs and spending refined with action agenda priorities; discuss initial findings of cost/benefit analysis; discussion of new funding sources (conventional and market-driven); and elements of the finance strategy

July 31 Ecosystem Coordination Board meeting- Discuss initial findings of cost/benefit analysis; provide input to the Leadership Council on potential new funding sources and market based and financial incentives; discuss funding responsibilities, targets, and schedule,

September 4-5 Leadership Council meeting - Complete final review and approval of the financial strategy; discussion of responsibilities, sources, targets, and schedule.

Depending upon the final schedule, the financing strategy maybe discussed at the October meetings of the ECB and/or the Leadership Council.

Prior to these meetings the Partnership will consult with the Leadership Council's Financing subcommittee and other members of the Council as necessary.

The finance strategy advisory committee will likely meet the week of June 16th, the week of July 14 and the week of August 11.